

The impact that load shedding is having on small businesses and their employees

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The cost of load shedding in South Africa has exceeded an estimated R1.2tn - notwithstanding the losses accumulated during the current financial year. Some of this financial impact has been shouldered by the thousands of small businesses which are the backbone of the economy. The real cost of load shedding, however, goes beyond just rands and cents - the energy crisis continues to have a profoundly negative impact on the overall morale and productivity levels of the country's employees.



Jeremy Lang, chief investment officer at Business Partners Limited

This is the opinion of Jeremy Lang, chief investment officer at small- to medium-sized enterprise (SME) financier, Business Partners Limited, who believes that loss of revenue is merely the 'tip of the iceberg' for small businesses who rely heavily on a consistent and reliable energy supply.

As he elaborates: "To fully comprehend the extent of the impact that load shedding has had on the SME sector, we need to consider what it has meant for employees' pockets as well as their daily working regimes."

Productivity levels on the decline

In a recent online survey conducted by market research firm, BrandMapp, 45% of employers reported a noticeable decrease in productivity due to load shedding. This same finding was reflected in the results of the Q4 2022 SME Confidence Index conducted by Business Partners Limited, in which over 39% of small business owners reported that their business' productivity levels had

declined as a direct result of the rolling blackouts.

For Lang, these findings come as no surprise, given that power cuts lead to the abrupt disruption of workflow. Further to that, businesses are also drained of the added time needed to restart operations, retrieve lost data and constantly adjust working timetables to accommodate the load shedding schedule. And, as Lang says: "The cost of lower productivity results in small businesses generating reduced outputs. This in turn affects not only profitability but also their ability to create new jobs."

"Small businesses can no longer afford not to invest in contingency plans that can help them stay afloat amidst the energy crisis."

– Jeremy Lang

Team spirit takes a knock

Another key area of impact to consider is employee morale. BrandMapp's study found that worker confidence and mood has taken a dive as a result of increased levels of stress, financial pressure and job insecurity. The possibility of downsizing and salary reductions is a looming reality for many of the country's small businesses who simply cannot afford to absorb load shedding-related risks and costs.

This consequence has been felt most acutely by township and rural-based businesses. According to the Insights Report conducted by Nedbank, in partnership with the Township Entrepreneurs Alliance, about 65% of small township businesses are forced to cease operations during power cuts. A further 66% of these businesses have also been forced to cut jobs

due to significant revenue losses.

For Lang, the disproportionate effect that load shedding has had on micro-enterprises and those in the informal sector is evidence of the pressing issue of economic inequality. "Many of the corner shops, tailors, shisanyamas and local fruit and vegetable sellers who have become such an important part of the South African SMME landscape are not in a position to afford expensive generators, inverters and alternative energy sources.

"This has placed many of our local business owners under immense stress and 'job shedding' has become a very real fear," says Lang.

The need for access to funding for alternative energy systems is one of the key factors that prompted Lang and his team to set up the Energy Fund for SMEs – a mechanism by which to provide small businesses with loans to finance off-the-grid power supplies such as generators and inverters.



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Time to brace for impact

Going forward, local small businesses will have to adopt an agile mindset and approach to change. These are unprecedented times for the South African socio economic climate, with emerging challenges that present a whole new set of threats to business continuity, and by extension, employee wellbeing.

Lang concludes: "Small businesses can no longer afford not to invest in contingency plans that can help them stay afloat amidst the energy crisis. We are aware that load shedding will persist into the indefinite future. As such, small businesses need to find creative ways to maintain their employee value proposition by offering flexibility and structured arrangements to recover lost working hours. Now is also the ideal time to invest in health and wellbeing – providing support for employees and building positive team culture should be regarded as a business imperative.

The energy crisis is undoubtedly one of the biggest contributing factors to the course of the local working landscape's evolution. In the very near future, the way these business' respond to the mounting pressures will determine the long-term sustainability of the sector and its people."

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